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The Hunt For A MONEY TRUST

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Illustrated with Portraits

IT WAS a Swede from Minnesota who first raised in Congress the hue-and-cry of the MONEY TRUST HUNT—"a Swede who dreams," a fellow member describes him—Charles A. Lindbergh. Nearly two years ago now Mr. Lindbergh began to stir up the House of Representatives, of which he had then been a member for some three years, on the subject of possible "financial combinations in restraint of trade." His efforts were jeered. "Which pleased me," the gentleman tells you. "When the House finds something it can get fun out of you can be sure it won't let it drop."

But even if Mr. Lindbergh had not appreciated the conserving force of ridicule sufficiently to bear it with equanimity he would not have been allowed to drop his inquiry. In less than six months after it was suggested he declares he had received a *thousand* letters urging him to follow it up, many of them offering him information to support his claims. Still more encouraging to one of his temperament were the attempts made to turn his attention in other directions; attempts he firmly believes to have originated in Wall Street. When finally one whom he described to Congress as an "emissary" of that district called upon him warning him to desist or a panic worse than any the country had ever known would result, all the king's horses and all the king's men could not have shut Mr. Lindbergh's mouth. "If there was a condition existing among the great business interests of the country so rotten that an investigation could bring on a panic,' he told his "emissary," "then it was better that the conditions were known now, that at least the future of the country should be assured."

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"A Swede Who Dreams"

Charles A. Lindbergh, who nearly two years ago began to stir up the House of Representatives on the Money Trust. In less than six months after his first suggestion he received a thousand letters urging him to follow it up

But Mr. Lindbergh's proposed Money Trust hunt would hardly have covered the ground as rapidly as it has or taken the trail it has, had it not been for a speech delivered before the Finance Forum of New York City on December 27th, 1911. Mr. Samuel Untermeyer, the maker of the speech, had been asked to talk on the trusts, of which few men know more, he having been engaged as a lawyer in forming and fighting them ever since their first appearance. He announced as a subject "Is there a Money Trust?" and he proceeded to tell a really alarming story of the power over money and credit and so over all industry, which in recent years a few gentlemen have secured, through various processes, not all of them of their own invention or intention. The story was the more appalling because it was so calm and coherent and so obviously backed by a very large familiarity with the operations he was discussing.

Mr. Untermeyer's speech traveled far and fast. A month after it was delivered the Committee on Rules which had been laboring with Mr. Lindbergh's resolution summoned him to tell them in more detail and less formally, what he had told the Finance Forum. A favorite candidate for the Democratic nomination to the Presidency echoed his speech. "The greatest monopoly in the country," said Governor Woodrow Wilson, "is the money monopoly. So long as that exists our old variety and freedom and individual energy of development are out of the question. The industrial nation is con-

CLINEDINST PHOTO, WASH., D. C.

"Eleven as mild-mannered men as one could

The "Money Trust" investigation was carried on by a sub-committee of eleven members chosen from the House Committee on Banking several are men of large wealth and varied business interests—that is, it is a committee of more than average experience in indus-

trolled by its system of credit. This is the greatest question of all, and to this statesmen must address themselves with an earnest determination to serve the long future and the true liberties of men."

Thus encouraged the hue-and-cry redoubled. The press—the platform—the mail besought the Committee to report—and not to report—a bill. From one side came a practical dare to report anything; from another a solemn adjuration not to throw the country into a panic by so doing. Finally the chairman, Representative Robert Henry of Texas, burst forth with a long and fiery resolution. Almost to a man conservative Democrats fought Mr. Henry's resolution. They did not believe there was a "Money Trust," and even if there was it was no time to go after it. The party had gone to the country on the tariff. Remember 1896. Money may ruin us now as it did then. In Caucus the fight was hard and bitter and in the end resulted in splitting the original Henry resolution into three parts. The theory seems to have been that even if they couldn't stop it, they could dilute it so it would be harmless.

One of the sub-divisions of the Henry resolution went to the Committee on Banking and Currency, where it proved almost as much of a bomb as it had in the House and Caucus. It divided the Committee; and that it did not entirely shatter the sub-committee to which it was referred is a proof of the fundamental good sense of the gentlemen who made it up. They were eleven as mild-mannered men as one could select in Congress, particularly their chairman, Representative Pujo of Louisiana. Judging from their appearance the last thing in the world they would relish would be tackling this possible wild Beast, possible Bug-a-Boo, called the Money Trust. There were plenty of advisers to warn them that the inquiry could be nothing but a farce since it was sent out to hunt what didn't exist. There were others to hint that the thing was so large, so mysterious and powerful that they would never be able to get within a thousand miles of it. Moreover, that whatever they did, their future was doomed!

This conflict of opinion seems to have put them on their metal and they finally did the one thing which could have saved them. They decided to engage the very best counsel they could find to conduct the inquiry.

What Mr. Pujo and a majority of the members of the Committee wanted for aid was a man who knew. Two of these members, Mr. Neeley of Kansas and Mr. Byrnes of South Carolina, explained the point of view to me in practically the same way:—"I knew that if we could get a man who'd lived and worked all his

"The man who was at home there"

Samuel Untermeyer, the counsel chosen by the Pujo Committee to conduct its Money Trust Hunt because he knew more about the situation than any other lawyer

life among those fellows, he'd just naturally know who must be behind every transaction we ought to look into. Take it in my district, when anything happens there, I just say to myself, 'John Smith was behind that—Sam Brown did that.' I reckon it's the same in Wall Street, so I wanted a man who was at home there."

After several weeks' looking, "the man who was at home there" was found—Samuel Untermeyer, who had already done so much towards forcing and shaping the inquiry. Mr. Untermeyer was chosen as the active counsel for the Pujo Committee, solely because the Committee, after examining a score or more of other lawyers, concluded that he knew more about the situation, and could be trusted to handle it with more courage and skill than any other man they could select.

The results have vindicated their judgment. It is doubtful, if since the Hughes investigation of the Life Insurance Companies, so logical and effective a public inquiry has been conducted in the country. It has been almost entirely free from buncombe and irrelevant sensation. This has been due to the fact that the witnesses have been chosen from the ranks of the people who knew and not from those who suspected the institutions and operations under fire.

Again, and very important, the work was kept within manageable limits. Certain definite things were selected for inquiry and those things were stuck to pretty faithfully. If this limited the range it has resulted in getting a substantial body of facts and opinions on certain mooted questions. It makes the investigation a very definite contribution to the subject.

There has been some serious criticism of Mr. Untermeyer's method of questioning. My own impression, after listening to it for a number of days, is that the criticism is largely due to sympathetic revulsion against the almost uncanny cleverness of it. The ordinary hesitating uninformed mind finds it hard to forgive such preparedness, such astuteness, such cat-like springs. It isn't Christian to be so able! As an exhibition of relentless hanging to the points he was trying to establish in the face of witnesses, who for the most part did not too well understand what he was trying to do and therefore were more or less reluctant, it was remarkable. On the whole it was to my mind entirely legitimate.

Although the inquiry began quite promptly after the adoption of the resolution authorizing it—in June, 1912—it was not until last December that the outsider, asking only for concrete information was furnished with the tangible visible skeleton of the "Money Trust." The skeleton in question was presented in the form of a chart—a dull and difficult looking document prepared at the order of the Committee by an Investor's agency in New York City. The order given the

select in Congress"—the Pujo Committee

and Currency. Seven members of the committee are practicing lawyers. Three are bankers, one has been a national bank examiner, and trial and banking matters. Its work has been carried on at less comparative expense than that of any recent similar committee.

agency was to make up a chart which would show the relations existing between the directors and firm members of eighteen of the largest banks and trust companies in the country (the eighteen were selected by the Committee) and some scores of corporations including railroads, insurance companies, producing and trading companies, public utilities and other banks and trust companies (these corporations were selected by the agency, those of the largest capitalization being taken).

What this amounted to, of course, was an attempt to get a really comprehensive view of the interlocking directorates of which we have heard so much in the last few years—to get down on paper the actual reach and strength of the "arms of the octopus."

The eighteen concerns picked out by the Committee made a handsome list.* That there was a strong tie between their governing bodies a glance at the chart showed. They crossed and recrossed, not in any definite pattern, but too intimately to be entirely the result of hazard. The head of the list, J. P. Morgan & Company, a private bank of eleven partners, was allied by interlocking directors with seven of the eighteen concerns, the First National Bank, of which Mr. George F. Baker is the head, with six, the National City Bank, of which Mr. James Stillman is president and Mr. Frank Vanderlip, the active head, with four of the thirteen banks in New York and with two of the three in Chicago. The Bankers' Trust Company was represented on the boards of seven concerns; the Guarantee Trust Company on six. The stock of both of these institutions is held by voting trustees, of whom the majority are from the Morgan and Baker banks. The first has in the last few years absorbed five different trust companies; the second two. It is of this amalgamation that J. P. Morgan said when he was on the stand, "I think they have about enough."

There was but one of the thirteen banks in New York which was not represented in from three to seven of the others and that is Speyer & Company. All of the three Chicago banks were interlocked

Arsène E. Pujo of Louisiana

Chairman of the House Committee on Banking and Currency. Mr. Pujo is a lawyer, just finishing his fifth term in Congress. He was a member of the National Monetary Commission and signed its report. It was Mr. Pujo who introduced the bill into Congress requiring the Commission to file its final report

with two or more of the New York concerns.

Now as I have said, the Committee wished to show by the chart the degree of control or influence which the group of eighteen banks exercised over the great corporations of the country. It proposed to do this by showing the extent to which their directors were represented on the boards of these corporations. This is no place in which to attempt an analysis of the labyrinth of relations between each of the eighteen-group and the one hundred and fifty-two corporations having resources of over $25,000,000,000 scheduled on the chart. For our purpose an illustration is sufficient. Take for that the five concerns whose interlocking we have already touched on:—The chart showed that members of Mr. Morgan's firm sit in the directorates of thirteen banks and trust companies; of four insurance companies; twelve transportation systems; seven producing and trading corporations; three public utilities corporations, beside acting as voting trustees for six great corporations. The wealth for the management of which these eleven bankers are those more or less responsible as directors, foots up to a total capitalization of $10,036,000,000.

Mr. Baker's bank, the relation of which to the Morgan bank has already been shown, has its finger in a still bigger pie. Its directors hold one hundred and three directorships in forty-nine corporations whose total capitalization is $11,542,000,000. The National City Bank has a board of twenty-three men. They hold outside directorates to the number of eighty-six, having something to say about the management of forty-seven corporations, with total resources of $13,205,000,000. Add the two trust companies whose relations to the above banks have been touched on and you have a group of five related concerns, the directors of which hold three hundred and forty-one directorships in one hundred and twelve corporations, with resources of something like twenty-two and a quarter billion of dollars.

Now what does this mean? It certainly does not mean numerical control. There are probably twelve hundred different men on these one hundred and twelve boards, so that our financial group forms only a little over one-fourth of the whole number. But that they are influential for their proportion can hardly be questioned. They are the fourth which hold the purse strings. This does not mean, of course, that these gentlemen have the actual handling of twenty-two and a half billions of dollars. There seems to have been some such idea afloat. At least Mr. H. P. Davison of the Morgan firm thought it necessary in a statement to the Pujo Committee to point out that the sum was "not actual cash or liquid assets susceptible of manipulations or misuse by the directors," that it was

NEW YORK	*J. P. Morgan & Co. First National Bank Guaranty Trust Co. Bankers' Trust Co. National City Bank Kuhn, Loeb & Co. National Bank of Commerce Chase National Bank Astor Trust Co. New York Trust Co. Blair & Co. Speyer & Co. Hanover National Bank
CHICAGO	Continental & Commercial National Bank First National Bank Illinois Trust & Savings Bank
BOSTON	Kidder, Peabody & Co. Lee, Higginson & Co.

"I don't think I have this vast power you talk about. I don't feel it at all"

J. Pierpont Morgan on the witness stand in Washington last winter, senior partner of J. P. Morgan & Co., bankers, of New York, Philadelphia, London and Paris. The Philadelphia house is known as Drexel & Co., owing to Mr. Morgan's desire to keep Mr. Drexel's name in Philadelphia

instead the entire capitalization and the most of it was tied up in "rights of way, rails, ties, equipment, factories, plants, tools, manufactured goods and other forms of corporate property."

Of course any other notion argues amazing ignorance of what is meant by the resources of a corporation. The actual deposits of money of these corporations, in these various banks, is small compared with the bulk of capitalization —for instance, at the end of 1912 the Morgan bank had about eighty-two million on deposit from some seventy-eight different interstate corporations, whose aggregate capitalization must have run into several billions.

Again, this interlocking does not mean that the banks and trust companies handle all the monies of the corporations on whose boards they sit. Take as an illustration the relation between the J. P. Morgan & Company and the N. Y. N. H. & H. Railroad. The firm is a fiscal agent for the road—that is, it is sole agent for the sale of the securities of that road, but it handles none of the transactions between the company and its stockholders, such as the offering of additional stock, has nothing to do with its temporary borrowings which are handled directly with the banks in the community it serves. This is true with the relations of the house with most of the interstate corporations with which it deals. It handles their securities, the fresh issues of bonds and stocks. It can distribute these issues as it deems wise and naturally the institutions with which it is interlocked are considered first. In the last eleven years—1902-1912—J. P. Morgan & Company have marketed a little less than two billion worth of interstate corporation securities.

The merging and interlocking of financial institutions, which is shown on the chart, is in the main the growth of the last ten years. It has not gone on, however, at the expense of the number of banks in the country. Between 1900 and 1912 the banks of the United States more than doubled. There are now something over 25,000 having combined resources of about $25,000,000,000. But while there are 25,000 banks with $25,000,000,000 resources in the whole United States, this chart shows that 46 of the financial institutions which it considers have resources of over $4,000,000,000; that is, in recent years a small group has attained control over an entirely disproportionate amount of money.

Although the core of this concentration is New York, it cannot fairly be said to be local. The eighteen-group stretches from Boston to Chicago, and when one comes to analyze the alliances of these banks, he finds they extend pretty nearly country-wide. Take, for illustration, their connection with other banks and financial institutions through interlocking directorates. The National City Bank has a representation on two Pittsburgh and two Washington banks; the Morgan bank on four Philadelphia banks. When we consider their representation on the boards of interstate corporations, it is obvious there is no part of the country they do not touch. That is, while it is true that in the last ten years the banking resources of the country at large have grown more rapidly than those of New York, it is also true that the "Money Trust," centered in New York, has extended its influence widely through the country.

However, when one comes down to the question of actual numerical domination and asks what proof there is in all this that the eighteen concerns we started out with, control by board majorities the resources of the corporations considered, the reply must be none. There are only ten boards in the entire group of

corporations on which the bankers have actual majorities. But there are other binding ties besides those resulting from the merging of banks and from interlocking directorates; although it is probable that these are the most powerful in unifying aims and in producing coöperation at the expense of competition. For example, there is a considerable ownership of one another's stock. George F. Baker owns 28,682 shares in the Chase National Bank of New York, 10,500 shares in the National Bank of Commerce, 1,000 in the First National Bank of Chicago. J. P. Morgan & Co., with members of the firm, own 15,000 shares of the City Bank, 10,500 of the Bank of Commerce, 15,500 of the First National, 1,000 of the Continental National Bank of Chicago. Then there is the practice of handling together the security issues of the great corporations with which the chart shows that the banks are allied—a practice so profitable that it not only cements the alliances, but naturally overcomes the instinct of competition. Control is not the word. There is something more subtle than brute majorities at work here, something more powerful than numbers concerned. The thing which really interlocks these vast enterprises is a community of interests, the actual advantage they find in coöperation, also a kind of banking ethics which forbids their poaching on one another's territory. The actual forces which decide the relative power which one or more of these men have in the whole twenty-five billion dollar group are their judgment, daring and the confidence they inspire. The thing that counts is "What A thinks about it." "What B advises." "What C is going to do." The thing feared here is not numerical outvoting so much as the possible significance of knowing that "A does not like what you have done"—that "B resents your refusal to do this—your insistence on doing that." It is the way of men in group action, your way—my way, that puts meaning and power into this Money Trust skeleton.

But is the Money Trust conscious of itself? How does it explain itself? This is what the Pujo Committee sought from the men who have made it. And in doing this it reiterated again and again, that the inquiry was not intended as a reflection on any man or group. It was an effort to have the whole thing put on the table that the Committee and Congress might with their help find out what so troubled the public's sleep and together devise whatever changes might be wise.

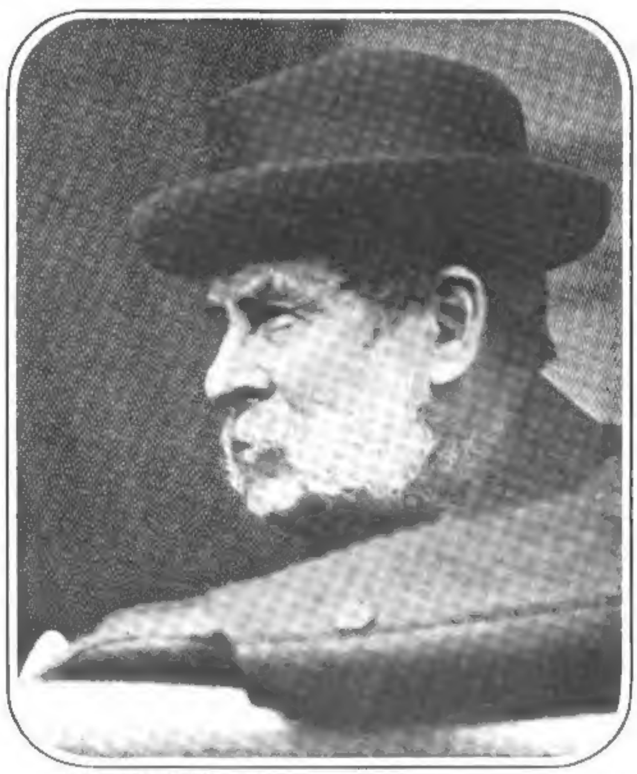
It was with the appearance of the figures which the chart made most important that the great moments of the inquiry came. As Mr. Morgan, Mr. Baker, Mr. Davison, Mr. Schiff, Mr. Reynolds, Mr. Hill sat hour after hour before the Committee the scene became strongly dramatic. Much of the testimony held the spectator breathless. He strained his ear not to miss a word of question or answer, his eye not to miss a play of the mobile, gray countenance of the questioner—a change which the question made in the usually alert, guarded eyes and lips of the witness. There were times when one hung on an answer as if it were life and death, for one knew that it was to lie or not to lie; and what would he do? And if he did not lie, but out with it, a strain fell off you as if something good were saved. And if he hide behind the technical "I do not know," a heavy silence clutched the listener until Mr. Untermeyer broke it with his smooth and damning "You do not know" and passed on.

It was Mr. Morgan's testimony, as the accepted head of the system, which excited the greatest curiosity and which gave unquestionably the most perfect picture of the degree of power the present system gives a man of brains and daring. That Mr. Morgan himself had any great power he flatly denied. "I do not think I have this vast power you talk about. I do not feel it at all. But if a man had it and abused it he would lose it and never get it back again either. My firm is not run by me. It never has been. Great projects are not run by two or three men—the responsibility can not be otherwise than scattered. I have been in a good many corporations—I defy any man to go into any one of those boards, even myself—I will say that for the sake of argument—I do not believe I could carry any one question through any one board that I was a director in against the views of the directors."

So much for Mr. Morgan's idea of himself. And then put by it his own story of those exhibits of his power which unquestionably have made the greatest impression on the public: the formation of the United States Steel Corporation; the purchase of the Equitable Life Assurance Society; his Voting Trusts.

There evidently was nothing strange to Mr. Morgan that he could shape a great fundamental industry, as he has that of steel. "Yes," he told the Committee, "I put those companies together," not, however, for the sake of control, but simply to have a concern which would produce every form of steel. He bought the subsidiary companies at the price he for the most part fixed. He was "willing to assume the final responsibility," for naming the board of directors. He had made himself the company's fiscal agent because when that was done J. P. Morgan & Company had the whole company. He had issued its securities, the vast issues everybody remembers, making up syndicates as he saw fit to participate in them. For fourteen years he had been its financial support, "never, not for one moment" letting any doubt he might temporarily entertain of his great project interfere with his full support of its stock, for even at the moment it went to \$8.00 a share he bought all he could.

Now the assumption of those who have looked with suspicion on the forming of such powerful combinations as the Steel Corporation—and the Steel Corporation is but one of the several that J. P. Morgan & Company has fathered — has always been that the entire influence of the house would be thrown to prevent any large rival combination being formed. That this was to be expected, all our experiences with trust-making have taught us. It was their way—to keep control by preventing competing growths and what better and simpler way to prevent these growths



George F. Baker

Chairman of the Board of Directors of the First National Bank of New York. This bank was founded in 1863 with a capital of \$500,000. In 39 years it paid over *21 millions* in dividends. In 1901 its capitalization was raised from \$500,000 to \$10,000,000. In the ten years following it paid dividends of over *25 millions*

than by cutting them off from money? Herein has lain one of the chief terrors of this combination we have been examining. It could if it wished cut off money from those who would compete with the enterprises it was fostering.

Mr. Morgan was emphatic in stating that he would countenance nothing of the kind—that as far as the Steel Corporation was concerned he would welcome competition. He would welcome it in locomotive building and believed that anybody who wanted to start a manufactory of locomotives in competition with the Baldwin Locomotive Works, which his concern has lately taken hold of, could easily get capital. He would welcome it in railroads, and the only reason we were not now having new roads was because of the "want of protection against railroads that has been current in this country for the last ten years." He would welcome it in banks and trust companies. "I do not mind competition."

But Mr. Morgan went on to say it was only "on general principles" that he did not mind competition. Something might occur that would necessitate interference. His method was to take up each case by itself and decide as he thought best. He put together the Great Northern and the Northern Pacific so as to make of them one line. He supposed it was to get rid of competition. His idea was to deal with things as they exist and if it was good business and for the interests of the country to amalgamate, to do it. "Of course, I may be wrong in my judgment but I *do not think it lies in that direction.*"

This superb and primitive confidence in his power to decide each case as it comes up, apparently on instinct, certainly without formulated reason, he showed best perhaps in telling how he acquired the Equitable Life Assurance Society. This society has now assets of something over $500,000,000, and by virtue of his ownership of 51% of its stock its future is in Mr. Morgan's hands. For this control he paid "somewhere in the neighborhood" of $3,000,000. He draws on this investment seven per cent. dividends or about $3,570 a year, about one-ninth of one per cent.! Why did he make such an investment?

"I bought the Equitable from Mr. Ryan and Mr. Harriman," Mr. Morgan told the Committee, "because I thought it was a desirable thing for the situation. I have an agreement with Mr. James Stillman and Mr. George F. Baker to take half the interest off my hands if I wish it, but I hold it all still. I suppose it was safe in Mr. Ryan's hands, but I thought it was greatly improved in the hand of myself. The purchase was not a question of money? I thought it was better with us than where it was. I told Mr. Ryan so. He hesitated about it, but sold it."

"I have never had any question about the disposition of the Equitable. My idea has always been to have it turned over to the policyholders. I do not know how it can be done. Whatever is done must be done by the trustees. I think the legislature of New York can fix that. I am living in hopes that they will."

Mr. Untermeyer evidently could not believe his ears—"I do not understand yet, Mr. Morgan, why you bought this company," he insisted.

"I did not buy it to make money. I did it because I thought it was better in my hands. I have no criticism of anybody. I thought it was best to have that stock where there was no danger of it being divided up into small lots. Mr. Ryan

One of a dozen men who form the money power

George M. Reynolds, president of the Continental National Bank of Chicago, who in his testimony before the Pujo Committee in discussing the money power said, "I believe it now lies in the hands of a dozen men; and I plead guilty to being one, in the last analysis, of these men"

had already sold half of it and you could not tell. Mr. Harriman died a few months afterwards and if that had gone with his estate, you could not tell how it would have been divided. If it had been divided and then the policyholders wanted it, it could not have been had. I did it because I thought it was the thing to do and that is the only reason I had and the only thing I can say. You can not analyze my reason any further. *I can not do it myself.*"

I see no reason to doubt and never have that Mr. Morgan in purchasing the Equitable sincerely desired to do his part towards helping in the important and difficult matter of making mutual life insurance companies mutual—making them truly for policyholders and not stockholders, companies where the full surplus which in equity belongs to the policyholders will be used for their benefit and theirs alone. Certainly the documents in the case which Mr. Morgan asked to have printed in the Record support this view.

But we are discussing whether Mr. Morgan, as the head of this aggregation of interests and resources, has any power. He says he does not feel it. I doubt if in contemporary financial history there is a single incident, which so startles an outsider with a sense of his power as his story of his purchase of the Equitable from Mr. Thomas Ryan.

"I told him I thought it was a good thing for me to have. He did not want to sell it, but he sold it."

Mr. Morgan's explanation of the voting trust which is one of his favorite devices in organizing or reorganizing a company is about like his purchasing the Equitable—it is "better." Better that he and his partners should decide who shall be the directors of the Bankers' Trust Company, the International Mercantile Marine Company, the Chicago Great Western, Cramp & Sons, shipbuilders, the Southern Railroad, numbers of great concerns for which he acts as fiscal agent. This practice, Mr. Untermeyer insisted, amounted to dealing with themselves. "We do not deal with ourselves," Mr. Morgan said in substance. "The board is independent of us. I think it is better for such a board to deal with our banking houses than it would be for a board named by the stockholders themselves. I think it is a great deal better. Not more independent, but better. I do not think it would be feasible for the securities of these corporations to be openly marketed. There is always competition in the end. Then there is another point. You must remember that securities that are sold do not always prove good. If bonds prove bad the house issuing them is called upon to protect them, to assist in the reorganization of the company, to make them good in case of disaster. I do not mean that the banking house has a legal responsibility for them, it assumes something that is still more important, that is a moral responsibility which has to be defended as long as you live."

Mr. Morgan asked to have certain figures regarding the Reading Company put into the Record, showing the advantages of the management of a railroad under a voting trust.

The figures Mr. Morgan offered make an excellent showing. They cover the period of seven years from 1897 to 1904, when the road with its allied coal and iron companies were under voting trustees. They show it rescued from bankruptcy, made a paying property.

"Has the price of coal increased to the consumer?" asked Mr. Untermeyer.

"*That*," said Mr. Morgan, "*I do not know anything about.*"

It is in his apparent ignorance of the relation between the great enterprises he conducts with such simple and magnificent self-confidence, and the man who buys his coal by the basketful, who must pinch

for a year to buy a harvesting machine, that the foundation of the popular mistrust of his power lies. Mr. Morgan with his consciousness of ability, his undoubted sense of responsibility towards those who deal with him, has like many of his time, little or no sense of a personage with whom the rich and powerful must at last deal fairly or fall, and that is the "ultimate consumer."

But it was not the abuse of the power which the Pujo Committee primarily was after. It was a demonstration that a vast power had grown up in the hands of a few men, largely through certain practices which might, in the hands of bad men, be abused. It was the young fighting partner of J. P. Morgan & Company, H. P. Davison, who disputed most valiantly the assumption that such a power exists. Nearly all of those practices which have made the concentration under consideration possible, Mr. Davison defended. He believed in the interlocking directorates. He believed it would set the country back twenty-five years if Congress should decide to make banks entirely independent of one another.

He was not prepared to recommend the dissolution of voting trusts, but he rather thought he might be. He did object to making a monopoly for the sake of monopoly, but believed that it could not be accomplished and live. "These things correct themselves." He believed the trusts had been a blessing to the country. "Moreover, you cannot any more disintegrate these trusts in effect and in fact than you can put this continent over on the other side of the Pacific Ocean." He pooh-poohed at the idea that there were not plenty of places outside of the concerns under consideration where great enterprises could be financed and offered a list of $332,000,000 worth of securities issued since 1905 by houses not on the chart, though on examination he was not certain but that some of the concerns might not have handled indirectly more or less of the issues. The borrowing of directors from their banks he sanctioned. If it turned out that they were dishonest, they would be caught—after the horse was stolen! The public, the people, Mr. Davison continued, would draw the line where power should end. In which Mr. Davison unquestionably is right. That seems to be what the public is now doing!

The weak point Mr. Davison saw in our present situation was the banking system, and to aid in the improvement of that he pledged his firm to coöperate with Congress. As for harm having come to anybody through any transaction of J. P. Morgan & Company, he knew it could not be. "I know," said Mr. Davison with fervor, "that J. P. Morgan & Company could do no wrong if their endeavors and circumstances permitted them to do as they wanted to do."

But grant that the present powers can do no wrong — Mr. George W. Perkins, probably without intending it, held up the weak link in the chain. "If J. Pierpont Morgan should make a bond issue from the desert of Sahara," said Mr. Perkins, "and put his name on it it would be subscribed probably." Is not that the point? Mr. Morgan would not do it. He is too intelligent. Ought we to allow a system under which even a responsible man can float a Sahara bond issue—or an Amalgamated Copper deal?

Mr. Untermeyer sought from Mr. Perkins an expression as to allowing such power. He put graphically the relation between nine of the great concerns on the chart. Did Mr. Perkins think it constituted a peril to the prosperity of the country. Mr. Perkins was unwilling to commit himself. He talked a great deal —one suspected him of getting off fragments of his recent progressive campaign speeches on the Committee—but he had no opinion. He was no longer in Wall Street—not in touch with the situation. He had retired to study these great questions—he had a dream that many men of importance in affairs should do the same.

"But what's the use, Mr. Perkins," asked Mr. Untermeyer wearily, "if their study leads them to no conclusions!"

But if Mr. Perkins could not make up his mind about the situation there were others who could. One of the most impressive things about the inquiry was the way it seemed to open the minds of certain witnesses. There was Mr. George F. Baker, chairman of the Board of Directors of the First National Bank, a man who for forty-five years has availed himself as freely of most of the various modern devices for money making as any man in the country. Mr. Baker was not an altogether free witness at first. He was jealous of "personal matters" and often "did not remember." He did not think people wanted facts. But as the testimony went on he seemed to be learning things. More than once Mr. Baker admitted of a point that "he had never thought of it before" that he "was surprised that it was so." I doubt that if Mr. Untermeyer had put to Mr. Baker at the beginning of the inquiry the questions he did at the end, he would have gotten the same answers.

"I suppose, Mr. Baker," Mr. Untermeyer said, "you would see no harm, would you, in having the control of credit as represented by the control of banks and trust companies still further concentrated? Do you think that would be dangerous?"

"I think," said Mr. Baker slowly, "it has gone about far enough. It might not be dangerous, but still it has gone about far enough. In good hands I do not see that it would do any harm. If it got into bad hands it would be very bad."

A still more emphatic answer to a similar question came from a man whose name is less familiar to the country, but whose power over resources is very great—Mr. George M. Reynolds, president of the Continental & Commercial Bank of Chicago. Mr. Reynolds's Bank has assets which frequently run as high as $220,000,000, the highest of any bank in the country, one possibly excepted. He is not now and never has been a director or stockholder in any corporation that deals with his bank and does not believe it proper. Two years ago Mr. Reynolds said to a public gathering discussing the money power: "I believe it now lies in the hands of a dozen men; and I plead guilty to being one, in the last analysis, of these men." When he appeared before the Pujo Committee he reiterated this statement, and to Mr. Untermeyer's questioning as to his views on competition, the regulation of banks and the possible danger in concentration of credit, said:

"I am perfectly willing to have adopted such laws as will insure to the masses proper treatment and am perfectly willing to take my chance under the law of competition. I do not believe the law of competition is dead in the banking world. I do not believe it ever will be dead.

"Personally I am inclined to believe that an excess of power of any kind in the hands of a few men might properly be called a menace. I do not mean to say by that that the people who have that control have used it improperly, but I am inclined to think that the concentration having gone to the extent it has, does constitute a menace."

The young fighting partner of J. P. Morgan & Co.

Henry P. Davison, has been in the firm of J. P. Morgan & Co. only four years. Prior to that he was vice-president of the First National Bank, to which he had come from the presidency of the Liberty National Bank

(In the next issue of the magazine Miss Tarbell will take up the Money Trust's Market)